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SUBJECT: CG VISITS YANGZHOU; DISCUSSES NEW SOCIALIST COUNTRYSIDE AND CHINESE DEMOCRACY

SHANGHAI 00000077 001.2 OF 004

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate, Shanghai, Department of State.

REASON: 1.4 (b), (d)

¶1. (C) Summary. The Consul General visited Yangzhou City in the northern section of Jiangsu Province from January 29-30. During a visit to a model "new socialist countryside" village, local officials showcased the progress being made in the municipality's rural areas and successes in moving labor from agriculture to industry without flooding urban centers with migrant workers. Separately, the Mayor and a vice mayor discussed Yangzhou's democratic development. According to these officials, Chinese democracy meant combining public participation--through public hearings, elections, and the like--with public supervision of officials. Yangzhou had implemented several concrete mechanisms for expanding these key components of democracy. However, according to these officials, the Chinese Communist Party (CCP) alone was capable of representing the entire Chinese population and was the only party needed to govern China. End summary.

Jinhuai Village: Face of the New Socialist Countryside

¶2. (SBU) On January 29, Yangzhou FAO officials accompanied the CG and Poloff to nearby Jinhuai Village to showcase how Yangzhou was successfully implementing the call put forward at the October 2005 Fifth Plenum to build a new socialist countryside. Only a half hour drive from the city center, Jinhuai, with a population of 3,120, is a model of Yangzhou's vision for the new socialist countryside. The village center consisted of: a massive auditorium; a new playground complete with several net-enclosed trampolines; a large modern supermarket (an official with the municipal New Socialist Countryside Department said the central government required new socialist countryside villages to have a place for villagers to spend money); a medical center that provided basic medical services and distributed free contraceptives; a small library; a gymnasium; an "old folks recreation center;" and row after row of newly minted three-level 400 square meter homes. Officials said that Jinhuai was ranked in the top 33 most prosperous villages of all

of Yangzhou's 1,248 villages. Yangzhou's goal was to have 50 percent of all its villages look like Jinhuai within five years and 100 percent within 10 years.

¶13. (SBU) According to village officials, the village was a great example of the "pull-yourself-up-by-your-bootstraps" mentality required to effectively implement the new socialist countryside. Funding for many of the major projects had come from local residents and tax revenues generated from local industries. There were 17 factories set up in the village vicinity, all owned and managed by village residents. These factories employed about 70 percent of the village work force, paying average salaries of 12,000 RMB (approximately USD 1545) per year. Each family had bought its own home for around 140,000 RMB in 2000--one official claimed the houses were now worth over 600,000 RMB--without government assistance. One of the successful enterprise owners had donated the auditorium. The village government had provided the land and facilities for the supermarket--a privately-owned local chain--through tax revenues generated from the local industries.

¶14. (SBU) Perhaps more important than the creature comforts, Jinhuai has successfully implemented the new socialist countryside program's main goal of moving people out of farming and into local industry. This has allowed the village to reach relative economies of scale in agriculture while absorbing excess labor without further burdening overcrowded urban centers. According to village officials, only 10 percent of the population now worked the land--compared with 20 percent in some of Yangzhou's other villages. This 10 percent of the population cultivated approximately 3 million mu of rice, 1.2 million mu of aquaculture, and did a brisk business in ducks. Seventy percent of all of the Yangcheng Lake "hairy crabs"--a local freshwater crab delicacy that is popular in Shanghai--actually started out in the area surrounding Jinhuai. They were then "dipped" in Yangcheng Lake so they could sell at the higher price commanded by Yangcheng crabs. Farmers earned an average of 5,000-8,000 RMB. Very few residents actually left Jinhuai for work in the cities, finding the employment situation in the village

SHANGHAI 00000077 002.2 OF 004

sufficient for their needs.

¶15. (C) Despite the facade of independence, it appeared that significant municipal funding and planning had gone into the construction of this model village. The architecture and feel of the village--with its uniform pink housing and drab cement covered store fronts--had a distinct "planned economy" flavor. Most of the new housing had been constructed at the same time. Trees surrounding the fish pond in the village center were only a few years old, and were the only sign of vegetation in the village. While official press reports have said that localities have received monies for building the new socialist countryside, there was no discussion of what funds Jinhuai had received or for what purposes they had been used.

¶16. (SBU) Village officials did note that local residents received a subsidy of 145 RMB per month per person in rent for land used in the public works and private enterprise projects. They also said that the central government's "Four Agriculture Subsidies" (i.e. the cancellation of the agriculture tax and subsidies for education, purchasing better crop strains, and agricultural modernization) accounted for approximately 1,000 RMB of farmers' annual incomes.

Meeting the Mayor: Food, Fun, and FDI

¶17. (U) After the countryside visit, the CG met with Yangzhou Mayor Wang Yanwen and Vice Mayor Wang Yuxin. Mayor Wang said that economic development had really picked up with the renovation and expansion of the river port, the building of several new bridges over the Yangtze River, new rail connections, and a modern highway over the past decade or so. Much of the investment coming into the city came from Guangdong,

southern Jiangsu, Zhejiang, and Shanghai. Investors included foreign firms as well, such as Colgate, and Asimco. Yangzhou was determined to encourage more investment--particularly foreign investment--into the city and had a target of USD 1 billion of FDI for 2007. Even the Foreign Affairs Office had a specific target they must meet for bringing in investment--for 2007, it stood at 20 million RMB.

¶18. (U) Mayor Wang noted that the living environment was particularly suitable for foreign investors, praising "Huaiyang" cuisine--the style of food traditionally prepared in Yangzhou--as some of the best in China. She also noted that the city government was deeply concerned with protecting and maintaining its tourist areas. Indeed, any new construction in Yangzhou required the approval of the Cultural Bureau to ensure that no sites of historical value--whether above or below ground--would be damaged. Wang did say, however, that Yangzhou lacked any quality international schools that would be crucial to encouraging foreign companies to have a significant presence in the city.

Chinese Democracy Yangzhou Style

¶19. (SBU) During the dinner, Vice Mayor Wang noted that in line with building a Harmonious Society, Yangzhou was striving to deepen democracy throughout the municipality. He quoted from a recent article by Yu Keping titled "Democracy is a Good Thing," noting that democracy was a process. Wang said that participation and public oversight were the keystones of Chinese democracy and that Yangzhou had implemented several concrete reforms along those lines in recent years.

10 (C) For instance, rural areas now held direct elections for village head. Yangzhou had also established a "1-2-3-4-5 hotline" allowing people to call in with questions, complaints, and suggestions. Indeed, Poloff noticed several billboards around the city advertising the hotline. The city had also begun implementing public hearings on draft legislation that was of particular importance to the lives of local residents. Yangzhou had also begun publishing all government actions on line and had strengthened the People's Congress oversight function with its 2006 "Supervision Law," although he did not provide details about the law itself. Wang also pointed out that the party's Discipline Inspection Commissions (DIC) and their government equivalents also played an important role in allowing the public to supervise the government. People were

SHANGHAI 00000077 003.2 OF 004

allowed to write to these organizations with tips on corrupt officials. In fact, according to Wang, the Chen Liangyu case was sparked by just such a tip from a citizen in Shanghai.

¶11. (SBU) Mayor Wang said that there could be no democracy without economic development and bettering the lives of the people. Moreover, it was not clear that there was a uniform style of democratic governance that could be applied to China. Given that China had so many people over such a large land mass, problems in some localities might not be problems in others.

¶12. (SBU) Vice Mayor Wang noted that there was no need to discuss multiparty democracy since there was no political party in China better able to represent all of the Chinese people than the CCP. Mayor Wang added that one reason the CCP was such an effective governing party and able to bring about such rapid economic development to China was because it did not have to waste time and energy debating decisions with other parties. When the CG countered that the discussion and negotiation process between political parties enhanced the people's ability to exercise oversight, Mayor Wang simply said that the kind of political system in place did not matter if the country was developing well.

Yizheng: An Automotive Super Center

¶13. (U) The following day, the CG visited two factories in the more prosperous nearby township of Yizheng. At the Yizheng Shuanhuan Piston Ring Factory (YSPRF)--a joint venture with the American company Asimco--helpful signs in English and Chinese dotted the landscaping, encouraging employees to "Act as promised and work harder tomorrow," reminding them that "If you don't work hard today, you may have to look hard for a job tomorrow." A former state-owned enterprise, YSPRF currently employed over 2,000 local Yizheng residents (although all of the managers were from outside of Yangzhou), paying an average annual salary of 20,000 RMB, and supplied over 50 million RMB in taxes to the Yangzhou government coffers in 2005 alone. The second factory, Shanghai Huizhong Automotive, a subsidiary of Shanghai Automotive Industry Corporation, produced passenger vans to order, employed over 8,000 local workers, and paid an average salary of 18,000 RMB per year.

¶14. (U) Foreign Affairs Office Deputy Director Zhang Liansheng explained that Yangzhou had emerged as an automotive center due to geography and good old-fashioned communist planning. The city is situated on the Yangtze River, not too far from Shanghai and even closer to Nanjing, almost in the middle of China's coastal edge and is home to a relatively cheap and skilled labor pool. As a river port city, Yangzhou had initially developed as a steel-manufacturing center, receiving ore from mines upstream in Anhui Province and transporting finished goods downstream to Shanghai. During the planned economy era, central planners determined that it made sense to develop Yangzhou as a farm implement and automotive center, a niche that has persisted to this day.

Bio Comment: Wang Yanwen

¶15. (C) Mayor Wang was animated and engaging in her mannerisms and had a good command of her briefing materials, needing neither notes nor cues from her subordinates. She appeared knowledgeable about the history, culture, and economy of the city. Born in April 1960, Wang is relatively young and we expect that she will move up and out of Yangzhou, although it is not clear to what level. Wang is married and has twin 18-year old boys. Her husband still resides in Nanjing. Wang gave no indication of speaking or understanding English. She was recently back from a trip to the States, focused on urban planning, together with other Jiangsu mayors and party leaders. Asked about the selection of the theme, Wang explained that Jiangsu Party Secretary Li Yuanchao had made the decision. Li believed that unless municipal leaders knew more about urban planning, provincial cities would continue to develop in a chaotic way.

¶16. (C) Wang's career path resembles that of another Jiangsu noteworthy, Party Secretary Li Yuanchao. After a few party jobs in the Nanjing Electronics Industry Bureau during the 1980s,

SHANGHAI 00000077 004.2 OF 004

Wang served as Deputy Party Secretary and then Party Secretary of the Nanjing Municipal Communist Youth League (CYL) for the better part of a decade between 1991-98. She served as Piaoshui County Deputy Party Secretary and County Head and then as Party Secretary from 1998-2001. Wang returned to Nanjing in 2001 as a

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member of the Municipal Party Standing Committee and head of the Propaganda Department. Those positions would have put her in close contact with Li Yuanchao who had just returned to Nanjing as Municipal Party Secretary and Deputy Party Secretary of the province in 2000.

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